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THE WASHINGTON WEEKLY REPORT

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TO: Mr. Nick Franklin, Secretary
Energy and Minerals Department

FROM: Washington Office

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NATURAL GAS COMPROMISE * (See late note - Measure gets required signatures)

Controversy continues

A last-ditch effort to salvage a natural gas bill continued this week notwithstanding continual criticism of the compromise version and a number of conferees refusing to add their name to the draft report.

Key staffers in both the Senate and House have been working arduously all week in an effort to narrow what many conferees term "serious deviations" from an earlier agreement on a natural gas bill.

The problem centers on the inability of House and Senate conferees to agree on what they agreed upon in secret session three months ago. Then, the Senate Conferees voted 10 to 7 for a compromise agreement, which was supported 13 to 12 by the House conferees. Now, however, neither group has been able to get a majority to sign the agreement and thus permit the legislation to come to the Senate and House floors.

Domenici--has yet to ink conference report

As of Thursday afternoon, there were at least four Senators, one being Senator Pete Domenici, and an equal number in the House who have refused to ink their signature on a natural gas compromise package. But staffers indicated to the Washington Office that a number of House members have agreed to sign on if understood changes as agreed to in May are properly addressed and included in the report thus narrowing "serious deviations."

Domenici's major concern is not with gas pricing but instead on the degree of federal interference of the intrastate market and the degree of regulations over natural gas production. The Senator has indicated that if these concerns are satisfactorily addressed that he would sign the conference report.

Economic Analysis--Conference Committee agreements to date

The Conference Committee has agreed to eliminate from the "draft statement of managers" the economic analysis previously included because general agreement is that the economic analysis did not present the economic consequences fairly or accurately. The economic analysis, as originally included in the "draft statement of managers," was intended to try to obtain greater support for the conference report from Congressmen and Senators from consuming states. It, therefore, presented a distorted analysis of the affect on consumers and the interstate and intrastate gas market.

Analysis

Even if the uphill struggle to piece together an uneasy compromise this week succeeds, the measure would face a filibuster in the

Senate next week. (One Senator indicating support for the filibuster is Harrison Schmitt.) Although Senator Byrd has expressed confidence he can break that filibuster, leading Senators say it wouldn't be possible to take up that effort anytime soon before the planned mid-October adjournment for the elections.

This raise the prospects of a post-election session dealing with energy. If this be the case then you can be assured that congressional election results will weigh heavily on the fate of a natural gas bill in 1978.

MILL TAILINGS BILL CLEARS COMMERCE SUBCOMMITTEE

Legislation intended to provide federal assistance to states for clean up of abandoned uranium mill tailings piles and to clarify NRC authority over existing uranium milling operations cleared one more obstacle late last week when the Energy and Power Subcommittee of the House Commerce Committee reported its version of the bill to the full Commerce Committee for consideration. The subcommittee adopted one controversial amendment to the "Committee Print" which served as a vehicle for the mark-up session. The amendment, adopted with the reluctant acquiescence of Commerce Committee Chairman John Dingell (D-Mich.), altered the federal-state cost-sharing ratio from 75%-25% to 90%-10%. While this change reduced the size of one major difference between the Commerce Committee version of the legislation and the version reported out by House Interior last week (HR 13650), several major differences remain to be ironed out before the bill can be sent to Rules Committee to be placed on the floor calendar.

Major remaining differences between the two House versions include:

- Funding: HR 13650 (sponsored by Congressman Udall) provides for both a 90%-10% cost split and a "cap" of one quarter of one percent of a state's general revenues on the maximum any state would be required to spend on the clean-up effort. The amended Commerce "Committee Print" would provide for a straight 90%-10% split with no upper limit on individual state expenditures.

- Site Definition: The Udall bill specifically lists 22 abandoned sites (including Ambrosia Lake and Shiprock, N.M.) which would be included in the clean-up program authorized by the bill and defines the term "processing site" so as to insure that all of the listed sites would be eligible for coverage. The Dingell bill lists no sites specifically and would require the Secretary of Energy to designate the sites to be included in accordance with a definition of "processing site" which would exclude any site for which a NRC or state license is now in effect. This definition could be interpreted so as to exclude the Ambrosia Lake, N.M. site because of the presently licensed United Nuclear Ion Exchange plant located there.

-Other N.M. Sites: The Udall bill includes a provision requiring the NRC to conduct a study of two abandoned piles at Milan and Bluewater, N.M. to determine whether they should be added to the sites covered by the legislation and authorizes additional funds for clean-up of these sites if they are included. The Dingell bill makes no reference to these piles, thus effectively excluding them because of their location adjacent to presently licensed uranium mills.

The staffs of both committees are presently working toward a mutually agreeable compromise which can be acted upon by the full Commerce Committee shortly after the Labor Day recess. H.R. 13650 will, for parlimentary reasons, be used as the vehicle for the compromise, with agreed-upon amendments being added to H.R. 13650 by the Commerce Committee. Once final Committee action is completed, a substitute bill may be reported.

Compromise Expected

The Washington Office has learned that is is likely that the straight 90%-10% cost split will probably be accepted by Congressman Udall. This compromise is effectively mandated by the firm assertion of Congressman Dingell in subcommittee that his reluctant acceptance of the shift from 75%-25% to 90%-10% was conditioned upon dropping the "cap" provision. Any attempt to force a further compromise, he said, would result in a vigorous attempt to return to the 75%-25% level, and probably in failure of the bill to clear the Commerce Committee before adjournment in October.

It has also been suggested to this office that the problem of site designation may be handled by using the approach contained in the Dingell bill and listing specific sites to be included in the Committee Report.

ENERGY IMPACT ROAD REHABILITATION PROGRAM

Representatives from energy producing states have recently turned their attention to a number of last minute changes to the "Federal-Aid Highway Act of 1978 (S. 3073) which is expected to reach the Senate floor early next week.

Last week Senators Jennings Randolph (D-W. Va.) and Walter Huddleston (D-Ky) offered an amendment to the bill to establish a Coal Road Rehabilitation Program. The amendment provided up to $100 million on a 70%-30% federal-state matching basis to be used for repairing routes which have incurred a substantial increase in use as a result of the transportation of coal to meet national energy requirements.

Shortly after the amendment was circulated, a Department of Transportation study indicated that as much as 75% of the $100 million would go to West Virginia and Kentucky.

After a number of competing states voiced their opposition to the amendment, a revised version was drafted. The new amendment is titled the Energy Impact Road Rehabilitation Program and takes into account roads damaged as a result of transporation of coal, uranium, oil and gas resources and related resource recovery and exploration equipment.

Although the general intent of the proposed amendment appears to correspond with the interests of the State of New Mexico, some concern continues to exist regarding the overall impact the amendment will have. There is also concern that the present language is restrictive in that it refers to routes which "have incurred" a substantial increase in use and subsequent deterioration. It is not clear whether this adequately takes into account the anticipated increase in activity on New Mexico roads within the next few years.

FERC ISSUES PROPOSED NEW 60-DAY EMERGENCY GAS SALE RULES

On August 17, 1978, the Federal Energy Regulatory Commission issued and invited public comments on proposed new rules governing 60-day emergency arrangements for the sale and transportation of natural gas.

The current regulations permit certain emergency sales of gas in interstate commerce to help alleviate natural gas curtailments. The emergency sales are exempt from FERC rate and certificate regulation for periods of up to 60 days.

The proposed rules continue the emergency program, but specify more precisely the kinds of emergency transactions permitted and establish pricing guidelines. The rules specifically state that while interstate pipelines and local distribution companies may, under certain conditions, buy emergency gas, they should make every reasonable attempt to minimize or avoid continuing reliance upon these purchases.

The new rules define emergency by focusing on the needs of ultimate end-users rather than on a pipeline companies level of curtailment. The pipeline must also assign the costs of emergency gas to its customers faced with an emergency, rather than spreading the higher emergency gas costs among all of its customers.

Any comments on the proposed ruled must be submitted to the FERC by September 13, 1978.

NOTES

Alaska D-2 Lands Mark-up Continues

The Senate Energy and Natural Resources Committee, chaired by Henry Jackson (D-Wash.), continued holding mark-up sessions on an almost daily schedule this week in an attempt to complete action on the "Alaska D-2 Lands" legislation. As of August 16, the Committee had completed action on only six of thirty-nine identified issues. Thus, in spite of Jackson's stated intention to complete action on a bill before the end of next week, it appears probable that final committee action will not take place until after the Labor Day recess. Committee staffers have indicated, however, that work on the bill can be reasonably expected to be completed by early September.

NRC Official to Visit New Mexico

The Washington Office was informed this week that Jack Martin, NRC's Assistant Director for Fuel Cycle Safety and Licensing, will be in New Mexico on August 28 and 29, to meet with state officials to discuss various aspects of NRC's uranium mill regulatory program. Martin indicated that he is particularly interested in sharing information with the state on alternative methods for stabilization of uranium mill tailings from new legislation and final publication of a "generic environmental impact statement" on uranium tailings stabilization.

Science and Technology Subcommittee Holds N-Waste Disposal Hearings

The Science, Technology and Space Subcommittee of the Senate Commerce, Science and Transporation Committee held three joint sessions with the House Commerce Committee late last week and on August 16 on the general subject of nuclear waste management. Testimony on the subject was heard from a wide variety of witnesses from government, academia, industry and environmental interest groups. Among the witnesses were representatives of LASL, BDM Corp. of Albuquerque and Sandia Labs. The hearings are aimed at providing the Committee and subcommittee members with a general understanding of the problems of nuclear waste management. No specific legislation is presently being considered by the subcommittee. Further hearings on this subject have not yet been scheduled.

Congressional Note

The House Interior Subcommittee on Special Investigations, chaired by U.S. Representative Harold Runnels, (D-N.M.), has scheduled hearings for August 21, 22, and 23 in California to explore possible solutions to the West Coast oil surplus.

One possible solution the Runnels' subcommittee will be exploring is a possible swap of Alaskan oil for Japanese sources. Under the plan, the West Coast's surplus of Alaskan "sour" crude oil would be exported to Japan in exchange for the "sweet" crude Japan usually imports from Indonesia and the Persian Gulf.

On the 23rd, the Investigations Subcommittee will be inspecting the Long Beach terminal facility and oil refinery and the Elk Hills Naval Petroleum Reserve near Bakersfield, California.

The Administration recently proposed the use of naval reserve oil to be placed in the SOHIO pipeline (another proposal for transporting oil from the West Coast inland. The proposed pipeline would cross New Mexico near Jal. The federal government has given the go-ahead on the pipeline, but the holdup remains with the State of California. They say air quality questions must be answered satisfactorily before they place their stamp of approval on the proposed pipeline).

Runnels says he wants to observe first hand, the Long Beach facility and to explore further, why the Administration is proposing to pump out oil from the naval reserve for the pipeline when an oil surplus already exists in California due to Alaskan oil.

Among those scheduled to testify at the hearings is California Gov. Jerry Brown, and the Governor of Alaska or his designee. Others will include international economists and oil refiners and producers.

LATE NOTE:

Natural Gas Compromise Gets Necessary Signatures

In a late night meeting with President Carter Thursday, 9 Senators, including Senator Pete Domenici, and 13 House members signed the natural gas compromise.

Word of the signing was made public early Friday morning.

The only Senator who continues to remain steadfastly opposed to the compromise measure is Senator J. Bennett Johnston, (D-La.)

Domenici Gets Commitment From President

A spokesman for Senator Domenici this morning told the Washington Office that the Senator obtained a commitment from the President to support the compromise bill. The President stressed that it was the best compromise that could be drawn considering the tortured and difficult history of the natural gas bill.

Domenici reportedly stated that the bill would provide a greater incentive for production of natural gas and also take into account the interests of the consumer.

The measure is scheduled for full Senate consideration early next week. A filibuster is still talked about and the momentum to block passage is expected to increase by the time the bill reaches the Senate floor.